**School Forum**

**8**

**17th March 2015**

**Funding proposals for LA Planned Growth and basic need for new Primary schools**

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| **Lead Officer** | **Richard Morgan** |
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| **Forum asked to decide / steer / be informed** | **Forum to discuss and approve a funding policy for post opening diseconomies of scale costs for a new site primary school in B&NES** |
| **Time Needed** | **20 mins** |

**Introduction**

Bath & North East Somerset Council introduced a funding policy for Growth in LA Planned pupil admission numbers (PAN) from 1st April 2013 which addresses in year pupil growth in respect of basic need expansion.

This policy needs to be updated to take into account **the opening of a new site primary school** in the Keynsham area for basic need expected to be in September 2017 and on what basis the LA will fund the new primary school for pre-opening start-up and post opening diseconomies of scale costs.

A working group of head teachers and LA officers have reviewed the current policy and at its meeting on **9th December 2014**, the schools forum agreed with all the recommendations made by the working group in respect of amendments to the policy as follows:

1. **Growth in LA Planned PAN for existing schools**
2. **Options for Pre-opening start-up costs for funding a new Primary School in B&NES**
3. **Treatment in the LA Authority Pro-forma funding Template (APT) with regard to the number on roll (NOR) for new and growing schools**

**Post opening grant for new schools in relation to diseconomies of scale during period of expansion**

The working group have recently met again to recommend to the schools forum, a policy for a post opening grant for a new primary school for diseconomies of scale during the period it expands in pupil numbers.

A new school will not have a carry forward balance to rely on or any stocks of resources available. It will have been funded a pre-opening start-up grant and receive formula funding based on estimated pupil numbers from the day it opens.

The definition of what diseconomies of scale costs relate to has been extracted from a DFE funding document:

*Diseconomies costs relate to the need to incur some fixed management and premises costs as new schools build up their numbers. This funding must be made available to new academies on the same basis as maintained schools, including those funded on estimates – this can be paid to new schools that have opened and have not reached their full number of year groups*

*Diseconomies costs should not be funded by artificially inflating pupil numbers in the formula since this has the effect of obscuring the pupil based funding.*

*Instead estimated pupil number should reflect the number of pupils expected to join the school in the Autumn term to calculate the schools formula funding and any additional diseconomies funding for the school should be paid from the growth fund.*

**Creating a valid lump sum value for funding diseconomies of scale**

Officers used expenditure data taken from Consistent Financial Reports (CFR) for maintained schools for the FY2013-14 in order to create a valid lump sum for funding diseconomies of scale.

***See Appendix A*** ***for details of the creation of a valid lump sum of £67,263 and the creation of a 3 year tapered lump sum funding arrangement***

Officers selected CFR expenditure headings that relate to relevant fixed costs that a school may incur grouped by small schools 100 pupils on roll or less, and compared this to expenditure for the same expenditure CFR headings for large schools between 180 and 240 pupils on roll.

It was discussed and agreed by the working groupthat an average cost ignoring extremes of expenditure calculated for each group of schools and the difference between the groups would be used to create a lump sum value for diseconomies of scale funding.

The working group alsoagreed the CFR expenditure headings used in the calculations were relevant however the group decided that only 50% of the total expenditure in CFR heading E19 Learning resources, E22 Admin Supplies and E28 Bought In professional Services, should be taken into account and not 100%.

***The data agreed above creates a lump sum value of £67,263 to be used in the calculations for a 3 year tapered grant in respect of diseconomies of scale.***

**Creating a 3 year tapered lump sum funding arrangement**

The working group discussed and reviewed the methodology for the calculation of funding the grant for diseconomies of scale using a 3 year tapered lump sum arrangement.

Officers had examined the capacity available for all B&NES primary schools compared to the actual number on roll on the October 2014 census and the lowest average capacity is currently 75%. The working group decided this is a good rationale to use in deciding a threshold for funding tapered lump sum payments.

If was debated and agreed that if a new school that is 75% or more full or has pupils on roll in every year group, funding would not be due in respect of diseconomies of scale as the school would be deemed viable.

It was also decided that there would be two thresholds for payment of the tapered lump sum:

* If a school is 49% or less full then it will receive 100% of the 3 year tapered lump sum.
* If the school is 50% to 74% full then it will receive 50% of the 3 year tapered lump sum.

Finally the group felt that at any point during the 3 year funding period, a school became 75% full then the funding for diseconomies of scale would cease even if the following year the school became less than 75% full.

***Recommendation******–*** *the working group recommend to the schools forum an extension of the current policy for funding LA planned growth to include the funding of a post opening grant for a new primary school for diseconomies of scale during the period it expands in pupil numbers and that this grant will be funded using a 3 year tapered lump sum funding arrangement as described in* ***Appendix A.***